



Washington State Home Care Workers

Retirement Benefit Alternatives- Change Request #2

Part 2 – Governance and Administration Options

**Prepared for
SEIU Healthcare 775 NW/LRO Committee**

**TREINEN
ASSOCIATES**

June 26, 2008

Table of Contents

Executive Summary.....	3
Project Background and Methodology	7
Introduction and Background	7
Methodology	8
Governance and Administration - Background and Education	9
Retirement Plan Administration: Tasks and Requirements	9
Options for Governance and Administration of Plan Alternatives	12
Retirement Plan Governance and Administration: Concepts and Terms	12
Governance and Administration – Internal Duties and Responsibilities	15
Total Outsourcing – Internal Duties, Responsibilities and Staffing.....	15
Estimated Costs.....	18
Milliman, Inc. – Portland, OR	18
Northwest Plan Administration – Seattle, WA.....	19
Great-West Life & Annuity Insurance Company – Salt Lake City, UT.....	19
Appendices.....	22
Appendix A - Home Care Retirement Planning – Work plan Part 2: Governance and Administration Options.....	23

1

Executive Summary

Project Background and Methodology

On behalf of the State of Washington (State) and the Service Employees International Union Healthcare 775 NW (SEIU), and as follow up to the Washington State Home Care Workers retirement benefits alternatives project, the HCQA (Home Care Quality Authority), requested Treinen Associates, Inc. (Treinen) to identify the options for governance and administration and describe the infrastructure necessary to manage an externally administered DC and DB retirement plans. The following objectives were outlined:

1. Determine the options for external administration of DC and DB retirement plans;
2. Determine the options for internal administration of DC and DB retirement plans; and
3. Determine the internal staffing requirements for managing externally administered DC and DB plans.

Treinen defined the internal and external concepts for DB and DC retirement plan administration and governance. Treinen scheduled meetings and met with three retirement plan administrators and obtained feedback, option availability details and estimated costs for plan administration. From this feedback, the internal infrastructure and allocation of duties necessary to manage both a DC and DB retirement were established and documented in the final deliverable.

Governance and Administration - Background and Education

The tasks and requirements necessary to operate a retirement plan exist regardless of whether the administration is performed internally or externally. The following is a list of the identified tasks which constitute the administrative process flow. A full summary of the retirement plan tasks is outlined in Section 3.

Retirement Plan Administration: Tasks and Requirements

1. Data Collection and Process
2. Eligibility Determination
3. Fiduciary Duties
 - a. *Contribution Calculation and/or Benefit Determination*
 - b. *Asset management*
 - c. *Claims Administration*
 - d. *Financial Reporting*
4. Investment Monitoring
5. Employee Recordkeeping and Maintenance
6. Plan Documentation
7. Communication
 - a. *Employee Benefit Statement*
 - b. *Online Access*
 - c. *Interactive Telephone Access*
 - d. *Call Center*
8. Overall Plan Management
9. Plan Administration: Includes the following types of activities:
 - a. *Legal filings;*
 - b. *Plan discrimination testing;*
 - c. *Compliance reporting to IRS, DOL, State and Federal agencies;*
 - d. *Coordination of trustee, plan administration, attorney, broker and accounting activities; and*
 - e. *Change management (legal, legislative requirements, workforce changes and operations).*
10. Independent Plan Audits

Options for Governance and Administration of Plan Alternatives

Effective plan governance must be handled internally; only the “employer” or plan sponsor can maintain overall responsibility for plan operations. Vendors may be delegated co-fiduciary liability for plan operations, but this does not absolve the plan sponsor of liability

The majority of retirement plans use third parties to handle at least some of the administrative functions. This is typically referred to as “outsourcing”. The scope of outsourcing found in retirement plans ranges from:

1. **Partial Outsourcing:** The Third Party Administrator performs a subset of plan administration duties and the plan sponsor (State, SEIU, and AP employers) retain a portion of the duties.
2. **Total Outsourcing:** The Third Party Administrator performs all or nearly all of the plan administration duties.

Outsourcing: Selected Administrative Options

Option A: Partial Outsourcing Scenario

Option A depicts an allocation of duties assuming the plan sponsor maintains many of the administrative responsibilities. In this case, the plan sponsor maintains the data collection and reconciliation responsibilities including the combining of data from AP employers into a single database. The plan sponsor would also likely maintain responsibility for benefit determinations and authorizing distributions. The Third Party Administrator would provide plan recordkeeping, plan administration, plan communications and investment management.

Option B: Total Outsourcing with Multiple Vendors, AP Employers Submit Directly to Third Party Administrator

Option B illustrates total outsourcing with the plan sponsor contracting with and submitting IP data to a sub TPA along with each AP employer also submitting AP data, to the sub TPA who collects, validates, verifies accuracy, presence, etc before submitting to the Third Party Administrator. In this option, the Third Party Administrator would provide the plan communications and investment management services in addition to basic recordkeeping and administration.

Option C: Total Outsourcing with Third Party Administrator, AP Employers Submit Directly to Plan Administrator

Option C is similar to the above, but illustrates the Third Party Administrator including the subTPA duties (primarily data collection) directly.

Governance and Administration – Internal Duties and Responsibilities

Depending on the amount and type of outsourcing of duties, the internal duties and responsibilities will vary. The type of retirement plan selected for the Washington State home care workers will impact the duties that the plan sponsor will need to perform. The following is a list of the internal responsibilities and duties for operating a retirement plan. A full summary can be found in Section 5.

Total Outsourcing – Internal Duties, Responsibilities and Staffing

The following staffing arrangement and duties assumes maximum outsourcing of all retirement plan performance. A detailed breakdown by DC and DB plan options is in Section 5.

Retirement Plan Manager and Administrative Assistant

We estimate maximum outsourcing would still require two internal positions to discharge the plan sponsor's responsibilities. Duties include:

1. Data Collection Oversight:

2. *Oversee Fiduciary Duties*
3. *Oversee Communications*
4. *Plan Administration Oversight and Contract Management*
5. *Arrange and contract for independent plan audits,*
6. *Support and Staff Plan Sponsor or Plan Sponsor Committee:*

Estimated Costs

We met with three retirement plan administration firms to understand the current offerings, typical sub-contracted services and the potential costs to operate a retirement plan for the Washington State Home Care Workers. The findings are in Section 6 and are not identified by firm because this was not a formal request for proposal process that established a level playing field for all potential vendors.

Plan Operational Costs

The following categories of administrative costs summarize the possible costs of operating a retirement plan under the previously summarized options.

1. Plan recordkeeping and administrative costs. These are typically charged as a per participant flat dollar cost.
2. Sub TPA costs. These costs may apply to combine payroll data from multiple sources into a single source. These are also typically charged as per participant flat dollar costs.
3. Plan communication costs. These are typically included in recordkeeping and administrative costs. If purchased outside of the recordkeeping arrangement, costs can be fixed dollars per participant or a percentage of assets.
4. Plan legal fees. These are typically based on hourly rates from the attorney used to draft the plan documents or provide plan interpretative services.
5. Investment management fees. These fees are typically a percentage of the assets.
6. Investment monitoring fees. These fees are typically a fixed annual fee along with a small percentage of assets charge.
7. Plan audit fees. These are typically based on the hourly rates charged by the plan audit firm.
8. PBGC premiums. PBGC premiums apply only to defined benefit plans and are currently \$8.50/participant for multi-employer plans.
9. Plan actuarial valuation fees. These fees are based on hourly rates for the plan actuarial firm. They apply only to defined benefit plans.
10. Internal staffing costs. Based on number of staff and pay levels.

Summary of Plan Costs – Please refer to the tables in Section 6 for the complete details for both DC and DB plans.

2

Project Background and Methodology

Introduction and Background

Article 23 of the current collective bargaining agreement between SEIU Healthcare 775 NW (SEIU) and the State of Washington (State) directed them to evaluate retirement options for covered home care workers, using consulting assistance to outline potential retirement plan designs.¹ The Home Care Quality Authority (HCQA) engaged Treinen Associates, Inc. (Treinen) to assist SEIU and the State to review retirement benefit alternatives and the possible opportunities. Treinen consulted with the State and SEIU over a period of 3 months, modeled defined contribution (DC) and defined benefit (DB) retirement options and delivered a detailed set of retirement alternatives in a final report on April 24, 2008.

The final report also included a preliminary set of administrative and operational issues that needed to be addressed in order to maintain both DC and DB plans. On behalf of the State and SEIU, HCQA requested Treinen to identify the options for governance and administration and describe the infrastructure necessary to manage an externally administered DC and DB retirement plans. The following objectives were outlined:

1. Determine the options for external administration of DC and DB retirement plans;
2. Determine the options for internal administration of DC and DB retirement plans; and
3. Determine the internal staffing requirements for managing externally administered DC and DB plans.

¹ Article 23.1 and 23.2: The Union and the Employer agree that the Union Management Communications Committee shall explore possible options for establishing a sustainable retirement benefit for workers covered under this Agreement.... The Committee shall retain a consultant to prepare recommendations to be reported to the parties no later than January 31, 2008.

Methodology

Treinen worked with SEIU and the State to accomplish the following key steps, tasks and deliverables. Please refer to Appendix A for the complete work plan.

Key Steps, Tasks and Deliverables

1. Project Planning

- Prepare draft work plan, finalize, peer and submit as Deliverable 1.

2. Discovery

- Define terms: External Administration - Partial Outsourcing and Total Outsourcing;
- Define terms: Internal Governance - Partial Outsourcing and Total Outsourcing;
- Conduct vendor interviews (3): conduct interviews and obtain estimated costs;
 - Milliman - June 4, 2008
 - Northwest Plan Administration - June 17, 2008
 - Great-West Life & Annuity Insurance Company - June 19, 2008

3. Analysis

- Based on the above, model the internal human capital infrastructure.

4. Written Report

- Prepare draft written report, finalize, peer and submit as Deliverable 2.

Treinen defined the internal and external concepts for DB and DC retirement plan administration and governance. An interview guide and fact set that reflected the expected retirement plan for Washington State home care workers were developed. Treinen scheduled meetings and met with three retirement plan administrators and obtained feedback, option availability details and estimated costs for plan administration. From this feedback, the internal infrastructure and allocation of duties necessary to manage both a DC and DB retirement were established and documented in the final deliverable. A final discussion and review of the deliverable was conducted with the Committee members.

3

Governance and Administration - Background and Education

Regardless of whether the retirement plan is administered internally or externally, there are a tasks and requirements that are necessary to operate the plan. In the next section we will discuss the various options for conducting these administrative responsibilities. The following is a summary of the retirement plan tasks that constitute the administrative process flow.

Retirement Plan Administration: Tasks and Requirements

- 1. Data Collection and Process:** Required data fields collected from all employer sources, validated and verified for accuracy and stored in a database for plan use and transmitted to the third party plan administrator. This task may include combining data from multiple payroll sources into a single payroll feed to the third party administrator.
- 2. Eligibility Determination:** The process of ascertaining from the data collection which providers are eligible to become a participant in the retirement plan pursuant to the terms of the plan document and documentation of eligibility date.
- 3. Fiduciary Duties:** The fiduciary duties include performing all administrative tasks solely in the interest of the participants and the beneficiaries of an employee retirement benefit plan. In addition, a fiduciary must act exclusively for the purpose of providing benefits to participants and beneficiaries and in defraying reasonable expenses of the plan. Fiduciary responsibility requires that a plan fiduciary use the "care, skill and diligence" that would be used by a reasonably prudent person familiar with "such matters." Specific tasks include:

- a. *Contribution Calculation and/or Benefit Determination:* The contribution is the payment made by an employer to a qualified DC plan in accordance with the formula that spells out when and in what amounts the employer will make contributions to the plan. Benefit determination involves calculating the benefit due a participant in accordance with the plan benefit formula in a DB retirement plan.
 - b. *Asset management:* The management of the funds held by the plan. Examples include cash in a bank account, stocks, bonds, mutual funds, retirement accounts and real estate. Duties include division of assets among different types of investments (called asset classes) such as stocks, bonds, cash and so on, in order to maximize investment return while reducing investment risk and reducing portfolio volatility. Asset management is typically outsourced, thus requiring monitoring as described in item 4 below.
 - c. *Claims Administration:* The management of claims for retirement funds benefits payments.
 - d. *Financial Reporting:* Financial reporting requirements that include Form 5500 filings and PBGC filings (for DB plans). Form 5500s also require attachment of an auditor's opinion as described in item 10 below.
4. **Investment Monitoring:** Monitoring of plan assets and asset manager performance to satisfy fiduciary obligations and maximize investment returns.
5. **Employee Recordkeeping and Maintenance:** The organization and retention of records for a retirement plan. For example, a recordkeeping includes maintaining and updating account summaries for participants to reflect plan transactions and investment results (for a DC plan).
6. **Plan Documentation:** The documentation detailing the provisions of the plan (participation requirements, vesting, payment options etc.).
7. **Communication:** The plan by which key information regarding the retirement plan operations and results are communicated to employees. The key tools include:
- a. *Employee Benefit Statement:* The detailed record of retirement benefits and accrual;
 - b. *Online Access:* An internet site maintained and regularly updated to contain the latest information about the employee's retirement plan. Interactive applications are desirable to assist the employee with current benefit determination;

- c. Interactive Telephone Access:* Telephone software to provide similar information and plan management tools as online access; and
- d. Call Center:* A dedicated team of staff available during business hours to answer employee questions related to the retirement plan.

8. Overall Plan Management: The day-to-day administration of a retirement program. The general responsibility lies with the Plan Administrator who is responsible for managing the plan and providing benefits in accordance with the plan document, ERISA, the Internal Revenue Code (IRC) and all applicable laws and regulations.

9. Plan Administration: Includes the following types of activities:

- a. Legal filings;*
- b. Plan discrimination testing;*
- c. Compliance reporting to IRS, DOL, State and Federal agencies;*
- d. Coordination of trustee, plan administration, attorney, broker and accounting activities; and*
- e. Change management (legal, legislative requirements, workforce changes and operations).*

10. Independent Plan Audits: An examination of the plan's accounting and management according to a set of procedures with the purpose to verify accuracy of plan operations. As noted above, an auditor's report is a required element of the annual Form 5500 filing.

4

Options for Governance and Administration of Plan Alternatives

Retirement Plan Governance and Administration: Concepts and Terms

In this section we will define and discuss the options for allocating governance and administrative responsibilities of a retirement plan and the respective allocation of duties involved, as discussed in the previous section. Effective plan governance must be handled internally, since only the “employer” or plan sponsor can maintain overall responsibility for plan operations. Note that some vendors will take on co-fiduciary liability for plan operations; however, this acceptance of liability does not absolve the plan sponsor of liability

The majority of retirement plans use third parties to handle at least some of the administrative functions. This is typically referred to as “outsourcing” and refers to contracting with a third party for the performance of plan administration tasks or some areas of plan operations.

The scope of outsourcing found in retirement plans ranges from:

1. **Partial Outsourcing:** The Third Party Administrator performs a subset of plan administration duties and the plan sponsor (State, SEIU, and AP employers) retain a portion of the duties.
2. **Total Outsourcing:** The Third Party Administrator performs all or nearly all of the plan administration duties.

In each of the options below the plan sponsor is responsible for managing the day-to-day affairs and the policy decisions involved with the retirement plan and funding. More

specifically, the plan sponsor ensures that money is being contributed into the fund, the proper asset allocation decisions are made and that payouts are promptly distributed among all qualified plan participants or beneficiaries. In terms of fiduciary responsibility, in all instances, the plan sponsor has a duty to act in the interest of the plan's participants.

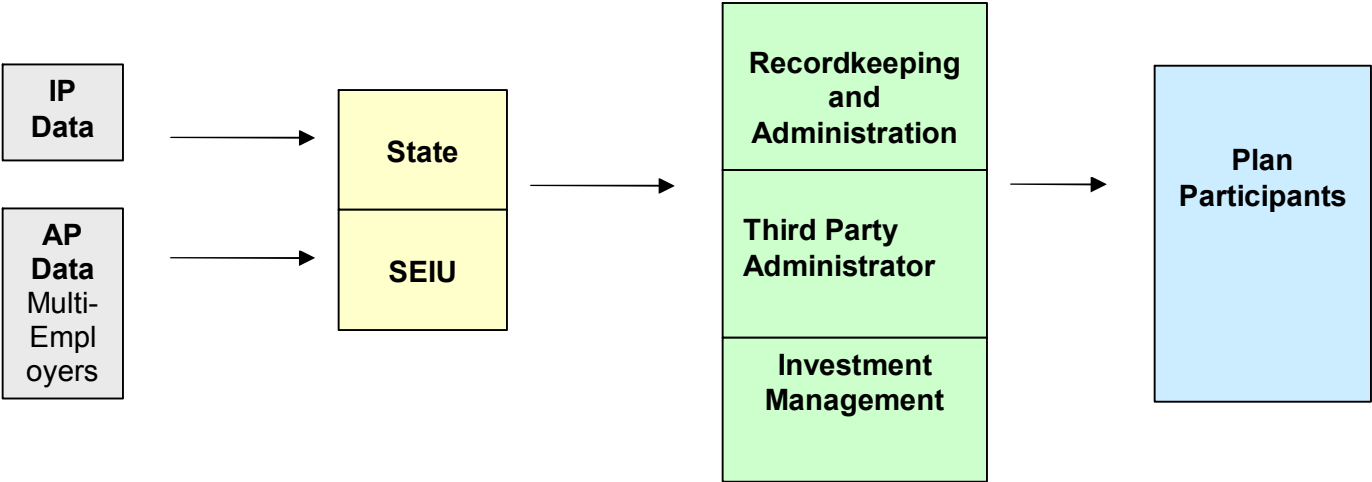
In all scenarios, we have assumed that a joint State and SEIU plan committee will be formed who will take on the responsibilities defined for the plan sponsor and will act as plan fiduciaries. Any staffing described is assumed to be employees or contractors to the committee.

Outsourcing: Selected Administrative Options

Option A: Partial Outsourcing Scenario

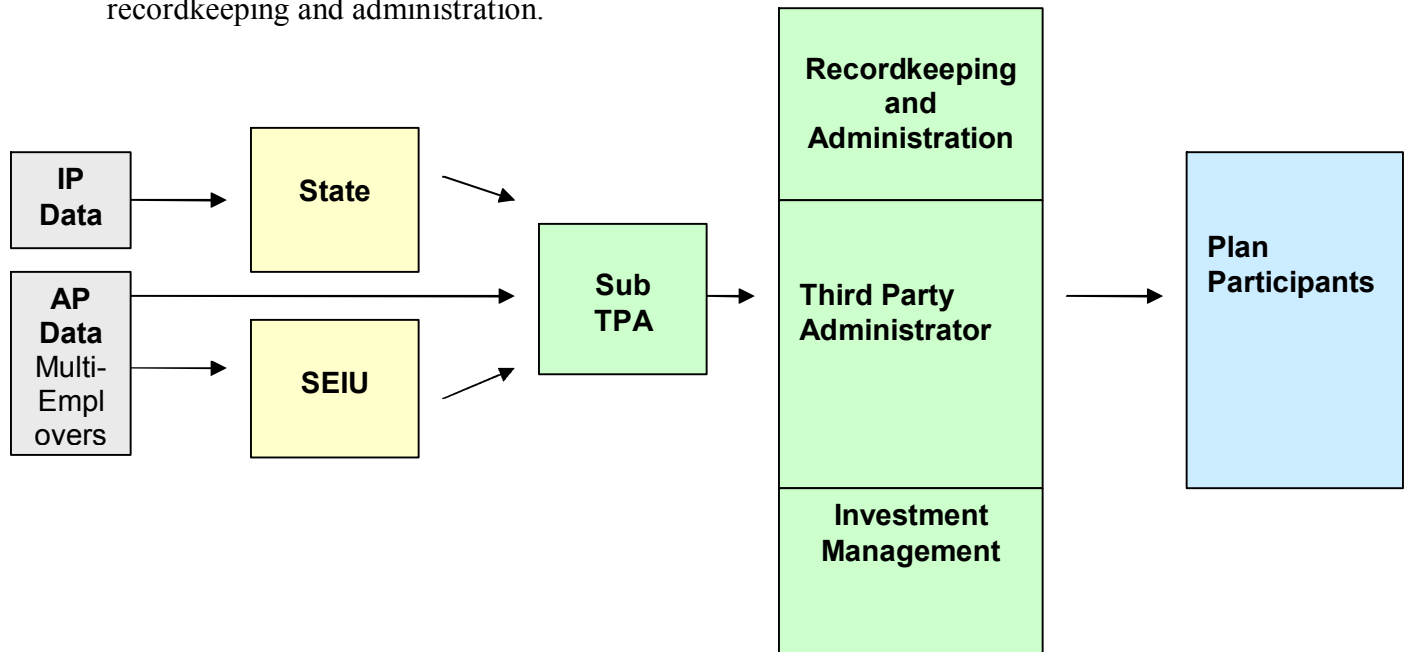
The diagram below outlines an allocation of duties assuming the plan sponsor maintains many of the administrative responsibilities. In particular, the plan sponsor would maintain the data collection and reconciliation responsibilities including the combining of data from AP employers into a single database. The plan sponsor would also likely maintain responsibility for benefit determinations and authorizing distributions.

The Third Party Administrator would provide plan recordkeeping, plan administration, plan communications and investment management. In other scenarios, the Third Party Administrator may also assume the duties for retaining an auditor to conduct an independent plan audits. It is also common to retain another vendor independent of the Third Party Administrator to provide investment monitoring services.



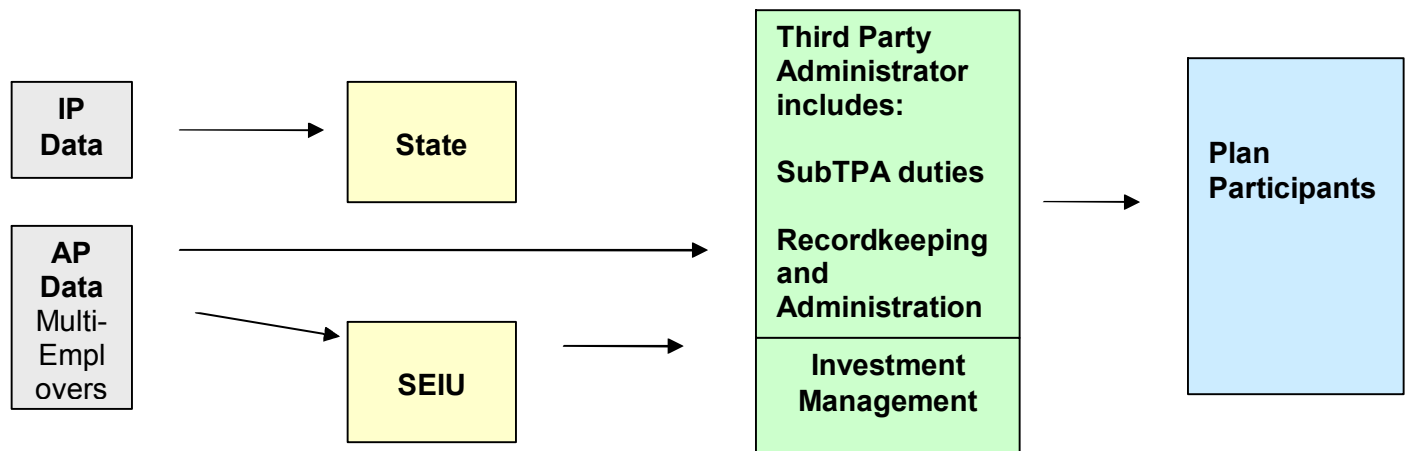
Option B: Total Outsourcing with Multiple Vendors, AP Employers Submit Directly to Third Party Administrator

This option illustrates total outsourcing with the plan sponsor contracting with and submitting IP data to a sub TPA along with each AP employer also submitting AP data, to the sub TPA who collects, validates, verifies accuracy, presence, etc before submitting to the Third Party Administrator. In this option, the Third Party Administrator would provide the plan communications and investment management services in addition to basic recordkeeping and administration.



Option C: Total Outsourcing with Third Party Administrator, AP Employers Submit Directly to Plan Administrator

This option is similar to the above, but illustrates the Third Party Administrator including the subTPA duties (primarily data collection) directly.



Governance and Administration – Internal Duties and Responsibilities

As mentioned earlier, along with each of the above options there is a need for oversight, contract management and actual operational duties that will reside with the plan sponsor for governance and administration of a retirement plan. Depending on the amount and type of outsourcing of duties, the staffing needs and responsibilities will vary. Also, the type of retirement plan selected for the Washington State home care workers will impact the duties that the plan sponsor will need to perform. The following is a summary of the internal responsibilities and duties for operating a retirement plan.

Total Outsourcing – Internal Duties, Responsibilities and Staffing

The following staffing arrangement and duties assumes maximum outsourcing of all retirement plan performance. A detailed breakdown by DC and DB plan options is in the following table.

Retirement Plan Manager and Administrative Assistant

We estimate maximum outsourcing would still require two internal positions to discharge the plan sponsor's responsibilities. Duties would include:

1. *Data Collection Oversight:*

- a. Facilitate data submission process development and oversee management;
- b. Assure processes for validation and verification are in place at the State and AP/SEIU prior to sending to Third Party Administrator;
- c. Review findings of inaccuracies prior to payment of benefits.

- 2. *Oversee Fiduciary Duties:*** Review contribution calculations and benefit determinations, asset management, claims administration and financial reporting performed by the Third Party Administrator or Investment Manager. Will require

determination of performance benchmarks and vendor compliance demonstration methods.

3. ***Oversee Communications:*** Includes Benefits , web site utilization and whether it meets the needs of the plan participants and call center performance. Will require determination of performance benchmarks, reporting requirements and vendor compliance demonstration methods.
4. ***Plan Administration Oversight and Contract Management:*** Generally, this will require:
 - a. Oversight and retention of copies of transaction processing, legal filings, compliance reporting to all federal and state entities;
 - b. Assist Third Party Administrator with trustee, plan administration, State Attorney General, accounting activities and reporting to OFM;
 - c. Assist with change management interpretation and requests to Third Party Administrator, including legal, legislative changes/requests, workforce changes and operational needs; and
 - d. General contract term oversight and compliance.
5. ***Arrange and contract for independent plan audits,*** unless delegated to the Third Party Administrator.
6. ***Support and Staff Plan Sponsor or Plan Sponsor Committee:***
 - a. Develop reporting structure of pertinent materials that meet the fiduciary duty requirements of the Plan Sponsor;
 - b. Coordinate, materials and oversight of Sponsor meetings;
 - c. Assure that Plan Sponsor/Committee Sponsor governance duties are informed and discharged – such as distribution approval, etc – see below.
 - d. Make or facilitate plan sponsor committee plan policy decisions

Partial and Total Outsourcing Duties and Responsibilities – DC and DB Plan Options

Internal Governance and Administration Duties & Responsibilities		
	Partial Outsourcing	Total Outsourcing
DC	Data Collection Retained: <ul style="list-style-type: none"> • Collect all necessary data fields from AP employers; • Collect all necessary data fields from IP employers; • Validate, verify for accuracy, presence, duplication; • Submit to Third Party Administrator per payroll schedule; • Maintain in combined data base. 	Data Collection duties: <ul style="list-style-type: none"> • Facilitate data submission process development and oversee management; • Assure processes for validation and verification are in place at the State and AP/SEIU prior to sending to Third Party Administrator; • Review findings of inaccuracies prior to payment of resubmission.
	Communications Retained: <ul style="list-style-type: none"> • Establish call center staff, duties, responsibilities, hardware, software, staff management, operations reporting and compliance demonstration, etc. • Establish Web site, management staff, operations reporting and compliance demonstration etc. for ongoing maintenance; • Materials distribution: establish staffing, protocols, operations reporting and compliance demonstration printing and distribution methods for plan documents. 	
DB	Data Collection Retained: <ul style="list-style-type: none"> • Collect all necessary data fields from AP employers; • Collect all necessary data fields from IP employers; • Validate, verify for accuracy, presence, duplication periodically; • Submit to Third Party Administrator annually; • Maintain in combined data base. 	Same as above.
	Communications Retained: Same as above.	

6

Estimated Costs

We met with three retirement plan administration firms to understand the current offerings, typical sub-contracted services and the potential costs to operate a retirement plan for the Washington State Home Care Workers. The following are our findings. Results are not identified by firm because this was not a formal request for proposal process that established a level playing field for all potential vendors.

The three firms interviewed are described briefly below.

Milliman, Inc. – Portland, OR

Milliman provides both DC and DB retirement services to corporations, including multiple employers. They do not currently provide retirement plan services for home care workers. They do not provide data collection services for verification, validation for accuracy, presence, etc. They may offer these services in the future, but currently recommend that the client subcontract for these services. Milliman charges a significant reprocessing fee for each resubmitted data file.

They provide full participant communications within Milliman operations, including a call center operated within business hours. They also provide subcontracted investment services, or would be willing to work with a self-directed brokerage account, but add an asset-based fee to cover the investments.²

² Milliman recommends using an investment firm other than EAI, the Milliman investment arm.

Northwest Plan Administration – Seattle, WA

NWPA is a 23 employee plan administrator that provides full service plan administration, including in house data collection services and participant communications, including web site management and call center during business hours. They also provide subcontracted investment services. They specialize in multi-employer retirement services and currently have a client base that includes Tyson Foods, and home care employers – Catholic Community Services and Solid Ground (formerly Fremont Public Association). NWPA would not require a set term year contract.

Great-West Life & Annuity Insurance Company – Salt Lake City, UT

Great-West is a wholly owned subsidiary of Great-West Life Inc. and a member of the Power Financial Corporation group of companies. They provide a range of group retirement savings products and services, individual life insurance and annuities, and business-owned life insurance products. They do not currently provide retirement plan services for home care workers. They provide data collection services for verification, validation for accuracy, presence, etc., but would recommend that the State procure a subcontractor for these purposes.

Great-West provides full participant communications as an in-house operation, including a call center operated within business hours. They also provide subcontracted investment services and management.

Plan Operational Costs

The following categories of administrative costs summarize the possible costs of operating a retirement plan under the previously summarized options.

1. Plan recordkeeping and administrative costs. These are typically charged as a per participant flat dollar cost.
2. Sub TPA costs. These costs may apply to combine payroll data from multiple sources into a single source. These are also typically charged as per participant flat dollar costs.
3. Plan communication costs. These are typically included in recordkeeping and administrative costs. If purchased outside of the recordkeeping arrangement, costs can be fixed dollars per participant or a percentage of assets.
4. Plan legal fees. These are typically based on hourly rates from the attorney used to draft the plan documents or provide plan interpretative services.
5. Investment management fees. These fees are typically a percentage of the assets.
6. Investment monitoring fees. These fees are typically a fixed annual fee along with a small percentage of assets charge.
7. Plan audit fees. These are typically based on the hourly rates charged by the plan audit firm.

8. PBGC premiums. PBGC premiums apply only to defined benefit plans and are currently \$8.50/participant for multi-employer plans.
9. Plan actuarial valuation fees. These fees are based on hourly rates for the plan actuarial firm. They apply only to defined benefit plans.
10. Internal staffing costs. Based on number of staff and pay levels.

Summary of Plan Costs

Defined Contribution Plans

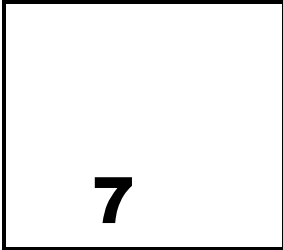
Expected annual plan costs for operating a defined contribution plan are expected to be as follows:

Defined Contribution Plans – Annual Costs	
Plan Feature	Annual Plan Cost
1. Recordkeeping, Administration, and Communication	• \$500,000-\$1,500,000
2. Investment Monitoring	• \$20,000-\$30,000 plus 2-5 basis points (.0002-.0005) of assets in excess of some threshold such as \$40M).
3. Plan Audit Fees:	• \$30,000-\$50,000
4. Investment Management Fees	• 0.5%-1.0% of plan assets, declining as plan assets grow
5. Plan Legal Fees	• \$5,000 to establish plan, limited annual fees thereafter
6. Sub TPA fees	• Included in recordkeeping fees above
7. Plan Internal Staff:	• \$75,000 if maximum outsourcing

Defined Benefit Plans

Expected annual plan costs for operating a defined benefit plan are expected to be as follows:

Defined Benefit Plans – Annual Costs	
Plan Feature	Annual Plan Cost
1. Recordkeeping, Administration, and Communication	<ul style="list-style-type: none">• \$250,000-\$500,000 (includes actuarial valuation services)
2. Investment Monitoring	<ul style="list-style-type: none">• \$20,000-\$30,000 plus 2-5 basis points (.0002-.0005) of assets in excess of some threshold such as \$40M).
3. Plan Audit Fees	<ul style="list-style-type: none">• \$30,000-\$50,000
4. Investment Management Fees	<ul style="list-style-type: none">• 0.5%-1.0% of plan assets, declining as plan assets grow
5. Plan Legal Fees	<ul style="list-style-type: none">• \$5,000 to establish plan, limited annual fees thereafter
6. Sub TPA fees	<ul style="list-style-type: none">• Included in recordkeeping fees above
7. PBGC Premiums	<ul style="list-style-type: none">• \$255,000
8. Plan Internal Staff	<ul style="list-style-type: none">• \$75,000 if maximum outsourcing



Appendices

Appendix a - Home Care Retirement Planning – Work plan Part 2: Governance and Administration Options

Appendix A - Home Care Retirement Planning – Work plan Part 2: Governance and Administration Options

Home Care Pension Planning - Work plan Part 2: Governance and Administration Options (UPDATED 6/24/08)		APRIL				MAY				June				
Key Steps and Tasks	Responsibility	7	14	21	28	5	12	19	26	2	9	16	23	30
1. Project Planning														
1. Prepare draft work plan, review with TAI Team	Cindy+TAI													
2. Finalize work plan; peer review	Cindy													
3. Submit to Rick: incidentals, determine stakeholders and decision -makers on this project. - Deliverable 1 - Work plan (April 29, 2008)	Cindy													
2. Discovery														
Obj: Options for external administration of DC and DB plans														
1. Define terms: External - Partial Outsource and Total Outsource for both	Cindy/Alan													
Obj: Options for internal governance of DC and DB plans														
1. Define terms: Internal - Partial Outsource and Total Outsource for both	Cindy/Alan													
FOR BOTH														
1. Vendor interviewsx3: obtain estimated costs and conduct interview:														
a. Develop interview/discussion guide and fact sheet	Cindy/Alan													
b. Conduct interviews, get quotes	Cindy/Alan													
(1) Milliman - June 4, 2008	Cindy/Alan													
(2) Northwest Plan Administration - June 17, 2008	Cindy/Alan													
(3) Great-West Life & Annuity Insurance Company - June 19, 2008	Cindy/Alan													
c. Write up options	Cindy													

Home Care Pension Planning - Work plan Part 2: Governance and Administration Options (UPDATED 6/24/08)		APRIL				MAY				June				
Key Steps and Tasks	Responsibility	7	14	21	28	5	12	19	26	2	9	16	23	30
3. Analysis														
Obj: Internal structure requirements for managing externally administered DC and DB plans														
1. Based on the above, model the internal human capital infrastructure.	Cindy													
4. Written Report														
Obj: Prepare written report														
a. Prepare draft written report by June 25, 2008.	Cindy													
b. Peer review	Alan/Will													
c. Finalize by June 26, 2008	Cindy													
d. Submit by June 27, 2008 - Deliverable 2 - Final Report	Cindy													